

**REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON THE EHLANZENI DISTRICT MUNICIPALITY**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the financial statements of the Ehlanzeni District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ehlanzeni District Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

### **Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Material impairments**

8. The municipality had receivables for property rates totalling R119 475 060 at 30 June 2013 that had been outstanding for more than 12 months. The recoverability of these amounts is doubtful and therefore they were fully impaired, as disclosed in note 4 to the financial statements.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### **Predetermined objectives**

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.
12. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned strategic objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.
13. The reliability of the information in respect of the selected strategic objectives (namely to improve the standards of the district municipality and the local municipalities on the integrated development plan, to deliver services and implement projects in line with the mandate of the district municipality, to create a conducive environment for district economic development, to support and monitor local municipalities in all areas of need, to ensure prudent financial management, to improve staff skills and development, and to improve institutional transformation and development priorities) was assessed to determine whether it adequately reflected the facts (i.e. whether it was valid, accurate and complete).
14. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

### **Additional matter**

15. Although no material findings concerning the usefulness and reliability of the performance information were identified, I draw attention to the matter below.

### **Achievement of planned targets**

16. Of the total number of 31 targets planned for the year, nine were not achieved. This means that 29% of the total planned targets were not achieved during the year under review. This was mainly due to internal processes, planning and implementation not having been done in a coordinated manner.

### **Compliance with laws and regulations**

17. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA.

### **Internal control**

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control that I considered sufficiently significant for inclusion in this report.

### **OTHER REPORTS**

#### **Investigations in progress**

19. An investigation is being conducted to determine whether the disaster related grants were utilised properly. The investigation was still ongoing at the reporting date.

Auditor-General

Nelspruit

30 November 2013



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*